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INTERNATIONAL ASSISTANCE FOR THE REHABILITATION AND RECONSTRUCTION OF NICARAGUA: AFTERMATH OF THE WAR AND NATURAL DISASTERS

Report of the Secretary-General

I. INTRODUCTION

1. At its forty-ninth session, the General Assembly adopted resolution 49/16, of 17 November 1994, entitled "International assistance for the rehabilitation and reconstruction of Nicaragua: aftermath of the war and natural disasters". In that resolution the General Assembly, concerned at the negative impact that recent natural disasters and external debt burden might have on the country's attempts at recovery, requested the Secretary-General, in cooperation with the relevant organs and organizations of the United Nations system and in close cooperation with the Nicaraguan authorities, to continue to provide all necessary assistance to activities for the reconstruction, stabilization and development of the country.

2. In its related resolution 49/137 of 19 December 1994, entitled "The situation in Central America: procedures for the establishment of a firm and lasting peace and progress in fashioning a region of peace, freedom, democracy and development", the General Assembly expressed its approval of the establishment of a support group for Nicaragua, which, under the coordination of the Secretary-General, is playing an active role in supporting the country's efforts towards economic recovery and social development.

3. The present report is submitted pursuant to paragraph 7 of General Assembly resolution 49/16.

4. It will be recalled that at the end of the last decade Nicaragua was in a state of internal war, aggravated by an international confrontation that led to an economic blockade and commercial embargo. The agreements reached by the Central American Presidents in the Presidential Summits of Esquipulas I 1/ and II, 2/ played an important role in the termination of the conflict. Its

peaceful resolution was also supported by the United Nations and the international community.

5. Internationally monitored elections in February 1990 led to the peaceful transfer of the presidency to an opposition party, for the first time in Nicaraguan history, on 25 April 1990. The new Government of National Reconciliation embarked on a complex process of transition: from war to peace, from a centralized to a market economy, from an authoritarian regime to a participatory democracy, from poverty to development and from international isolation to political and economic reinsertion. During the five years since the presidential elections Nicaragua has made substantial achievements in several of these areas, with the last year registering notable progress in the areas of reconciliation, macroeconomic stabilization, the consolidation of democracy and the organization of civil society. However, delays in other areas may have hindered the process as a whole.

6. Pacification has advanced significantly, and in 1995 for the first time there are no politically motivated armed groups in Nicaragua. More than 20,000 members of the Nicaraguan Resistance have been demobilized and the army has been reduced from 92,000 combatants to 12,500, the smallest in Central America. Although there remain armed groups opposed to the armed forces which maintain some relationship with political parties, they are essentially motivated by personal gain. The acts of violent protest in urban areas noted in earlier years have also significantly diminished.

7. Following the end of the conflict, about 350,000 displaced persons and refugees returned to Nicaragua. In the framework of the International Conference on Central American Refugees (CIREFCA), large projects were implemented to support demobilization and pacification in the former conflict zones. A further stage saw the rehabilitation and development of agricultural and livestock production through development programmes such as the Programme for Displaced Persons, Refugees and Returnees in Central America (PRODERE). However, integral reintegration (social, productive, political, etc.) was hampered by diverse factors, including the institutional weakness of the Government, insufficient coordination of resources and economic stagnation.

8. The country enjoys a level of political freedom greater than at any moment in its history and significant advances have been made in the institutionalization of its democracy. Although progress in this area was tested by months of dispute between the legislative and executive branches of government over reforms to the 1987 Constitution, the agreement reached on 15 June 1995 and the promulgation of the constitutional reform by the President of the Republic on 4 July, represent important advances in the consolidation of democratic procedures, clearing the way for the November 1996 elections. The transformation of the Sandinista Army into a new National Army, subordinate to civil government, was underlined by the 21 February 1995 transfer of command from General Humberto Ortega to General Joaquín Cuadra. Organizations of civil society in economic, trade union and other social groups abound. At the local level, under a Ministry for Social Action (MAS)/United Nations Development Programme (UNDP) project, municipal development committees have been established in 120 of the country's 143 municipalities. However, the full reintegration of demobilized combatants and increased confidence in democratic institutions

remain outstanding goals of significance for the stability of Nicaragua's democracy.

9. The complex issue of property has discouraged the investment needed for economic development, compromised the rule of law and jeopardized the flow of external assistance. Progress made towards the resolution of the issue is therefore to be welcomed. The Government has reviewed the expropriations and confiscations carried out by its predecessors, with a view to the possibility of restitution or compensation. To this end in January 1995 the Department of Property was established in the Ministry of Finance. Difficulties in bringing the administrative procedures involved to a rapid conclusion are compounded by the fact that the current structure of the judiciary is such that it lacks resources to deal with the anticipated volume of cases (around 6,000). A Conference on Property in Nicaragua, held on 4 and 5 July 1995 and co-sponsored by the Carter Center and UNDP, further facilitated progress on the issue as it produced agreements between the broad range of participants on: security for occupants of small rural and urban properties; speedy and fair compensation for victims of confiscation, including revaluation of bonds; and the need for occupants of large urban properties to pay to receive titles. Subsequent to a proposal made at the Conference, a joint committee bringing together members of the Government, the Legislative Assembly, victims of confiscation, beneficiaries, bond holders and agricultural associations was established in order to follow up on its agreements. UNDP serves as the secretariat of this committee.

10. In the economic field, macroeconomic stabilization has been achieved through control of the hyperinflation of the late 1980s and the elimination of major economic distortions. The framework for a market economy has been put in place and signs of recuperation are beginning to emerge. The year 1994 saw inflation of 12 per cent while GDP, stagnant since 1990, recorded a 3.2 per cent increase to reach US$ 1,844 million (Central Bank). However, stabilization remained dependent on external aid, which reached US$ 563 million in 1994 (Ministry of External Cooperation), and underpinned by Nicaragua's daunting level of external debt. At US$ 11,700 million at the end of 1994, the debt was more than six times GDP and higher per capita than anywhere else in the world. Debt-servicing absorbed 60 per cent of all exports of goods and services (Ministry of External Cooperation). Although exports of goods are still below imports, they were up by 28.8 per cent, to US$ 344 million (Central Bank), a rise that was in part attributable to a hike in the price of coffee, but also to growth in the fishing industry, meat production, free zone and non-traditional agricultural products. The trade deficit came down nearly 5 per cent, to US$ 428 million (Central Bank). It is to be hoped that progress in the property issue will lead to an upturn in the otherwise stagnant investment climate.

11. Support has come from the international community in the renegotiation of Nicaragua's external debt and in the pledging of continued assistance. Paris Club creditors agreed in March 1995 to a reduction of 67 per cent in Nicaragua's debts with member countries. This amounts to a markdown of US$ 862.2 million, out of a total of US$ 1,667 million (Ministry of External Cooperation). Denmark, Spain, Italy and France have granted additional unilateral debt reductions and Austria is submitting a similar measure to its legislature. Negotiations are also under way to buy back Nicaragua's US$ 1,700 million

commercial debt, for the purchase of which Germany, the Netherlands, Sweden, Switzerland and financial agencies have already committed US$ 120 million. Participants in the Consultative Group Meeting for Nicaragua, held in Paris on 19 and 20 June 1995, confirmed their ongoing support of Nicaragua's transition process with commitments of US$ 560 million for 1995 and US$ 1.5 million for 1995-1997, intended to offer relief of Nicaragua's balance-of-payments gap over the next three years.

12. As political and macroeconomic problems are overcome, the deteriorating social situation is becoming the main obstacle to the Nicaraguan transition. Growth in last year's GDP was not reflected in per capita income due to an annual increase in population of 3.7 per cent, the highest in America. Since 1990 per capita income has declined by some 10 per cent. An estimated 20.2 per cent of the economically active population are unemployed in 1995, with underemployment running at 33.7 per cent (Central Bank). Poverty is widespread, with 55.7 per cent of the population classified as being in a situation of poverty, and 22.6 percent in extreme poverty (MAS, 1993). The vast majority of those classified as poor and extremely poor live in rural areas.

13. For the moment, however, the main threat to democratic governance lies not in political conflict, but in the difficulty of the conditions of life and the subsequent loss of faith in democracy and its institutions. That the social situation has not seriously endangered the democratic process is due, in part, to the strong tradition of organization and social discipline of the Nicaraguan people, reinforced by the fact that the Nicaraguan poor, especially small and mid-scale agricultural producers (who sow 75 per cent of the country's cultivated area), possess a large volume of productive resources. Social difficulties, however, are manifested in begging, prostitution, the break-up of families and the rise of common crime, in some instances perpetrated by small and irregularly armed bands. The improvement of social conditions, particularly in rural areas, remote regions of the Atlantic Coast and among former combatants and displaced persons, is therefore an urgent requirement for the establishment of lasting conditions of public security. Seizures of drugs and incidence of arms trafficking are increasing notwithstanding the scanty resources available to the armed forces.

14. While the Nicaraguan transition has progressed, serious challenges remain to be tackled. Among them are the recovery of output and improvement of the living conditions of the population as a whole; the finding of definitive solutions to the property issue and the problem posed by the enormous external debt; the conduct of a clean electoral process culminating in broad participation in the elections for President, Assembly and local government in 1996; and the management of factors contributing to the destabilization of Nicaragua, the region and the continent, such as uncontrolled migration and trafficking in drugs, weapons and people.

15. Most Nicaraguans continue to support reconciliation and national understanding. A 1994 survey on governance, conducted under the auspices of UNDP in 1994, revealed that 93.7 per cent consider a broad national agreement indispensable, and 73.3 per cent consider it feasible. However, as shown in this and other surveys, confidence in democratic political institutions such as State branches and political parties has not yet taken root, due to a large

extent to the lack of a democratic tradition and the stagnation of living standards since the beginning of the democratic transition. A positive scenario for rapprochement between the people, its Government and the political parties would be the definition, with broad civil participation, of a national development strategy for the medium and long term, to which the main political forces and the Government were committed. In this context, the Support Group states in its 1994 report that: "There is unanimity on the need for a broad agreement on the kind of country to be attained, the kind of development to be encouraged and the basic rules of the game that should prevail. All sectors consider that the definition of a new national development strategy is both necessary and timely."

II. ACTIVITIES OF THE UNITED NATIONS SYSTEM IN NICARAGUA PURSUANT TO GENERAL ASSEMBLY RESOLUTION 49/16

16. The following describes the activities of the United Nations system in Nicaragua during 1994-1995.

A. United Nations Development Programme

17. Activities to support reconciliation, pacification and democratic governance include the following:

(a) Secretariat of the Support Group for Nicaragua. The Support Group for Nicaragua, the establishment of which the General Assembly welcomed with interest in resolution 48/161, paragraph 17, and expressed its approval in resolution 49/137, paragraph 20, was set up in May 1994 and consists of representatives of the Governments of Canada, Mexico, the Netherlands, Spain and Sweden. UNDP serves as a technical secretariat to this informal group, whose objectives are to follow closely the Nicaraguan transition to peace, democracy and development, and to support internal consensus-building in the country. In the second half of 1994 the Support Group formulated an agenda in support of Nicaragua's transition process that included: the improvement of the investment climate, particularly through the resolution of the property question; the formulation of a concerted medium- and long-term national development strategy; the resolution of the problem of external debt. In addition, during the early months of 1995, and at the request of the State authorities, the Group facilitated initial negotiations on the constitutional dispute;

(b) Resolution of the property question. In October 1994 UNDP, guided by the Support Group, began a project to expedite the procedures - administrative, judicial and those requiring arbitration - necessary for the resolution of the property question. The project was funded at US$ 3.7 million by UNDP and the Governments of Sweden, the Netherlands and Canada. As a follow-up to the Conference on Property organized by the Carter Center and UNDP on 4 and 5 July 1995, UNDP has undertaken to act as secretariat of the Joint Committee on Property;

(c) UNDP projects in the former conflict zones, designed with an integrated and participatory approach to demobilization and resettlement. Among these are:

(i) The Development Programme for Displaced Persons, Refugees and Returnees in Central America (PRODERE), implemented by UNDP in the former conflict zone with funding from the Government of Italy, which completed operations in June 1995. The sustainability of the programme has been assured through its transfer to local development agencies. The second half of 1995 will see the initiation of the Programme for Human Development at the Local Level, which seeks to establish State/civil society participatory organizations for local development throughout the country;

(ii) The National Reconciliation and Rehabilitation Programme (PRRN) of the Ministry for Social Action which supplies productive inputs to demobilized combatants from both sides who received land from the current Government;

(iii) The project on support for the pacification process which attempts to complete the reintegration of former combatants from both sides, with the Ministry of the Interior ensuring the viability of the commitments made to demobilized combatants and the Ministry for Social Action pursuing activities to promote reintegration into productive society;

(d) Projects designed to facilitate the organization and transformation of the Government. These include: Management Development Programme; support for the Nicaraguan Public Administration Institute (INAP); development and installation of a national public investment system and of a foreign trade plan in the Ministry of the Economy and Development; installation of an information system for decision-making (SIENIC) in the Office of the Minister of the Presidency; building of national capacity for the management of external cooperation (NATCAP) and restructuring of the Ministry of External Cooperation; support for the formulation of agricultural policies and programmes and agricultural statistics (food security) in the Ministry of Agriculture; strengthening of the Ministry of Finance and automation of the customs office; institutional strengthening of the Ministry of Social Action.

18. Activities to support the rule of law and State reform include the following:

(a) Strengthening of the judiciary. This project, which is to create local courts in all municipalities throughout the country and improve the technical capabilities and living conditions of judges, is being executed by the Supreme Court of Justice with funding from Sweden/UNDP;

(b) Incorporation of human rights within military training. This project, which was proposed by the Nicaraguan Army and is financed by the Government of Sweden, provides preparatory assistance for the establishment of a model for the education of military personnel in the observance of human rights;

(c) Strengthening of local government. UNDP activities in this area include a project for the improvement of municipal services, funded by the European Union; the creation of a unified municipal land register system; pilot projects for municipal disaster prevention and management systems; and a pilot local development project being run in six towns;

(d) National population and housing census, including an agriculture and livestock module. The census was conducted in April and May 1995 by the National Institute for Statistics and Censuses (INEC) with technical support from UNDP/United Nations Population Fund (UNFPA) and a grant from the Inter-American Development Bank. Besides being designed to update the existing 1963 data (all information gathered from the country's most recent census in 1971 was destroyed in the 1972 earthquake; attempts to prepare a census since 1980 were suspended due to conflict), the census had as a subsidiary objective the institutional strengthening of the INEC. The preliminary results will be available in October 1995 and the final results will be ready in early 1996.

19. Activities to support education and culture include:

(a) The curriculum reform of primary, secondary and higher education, being developed in coordination with the Ministry of Education and the Council of Universities;

(b) Support for the Nicaraguan Women's Institute and non-governmental organizations in the formulation of the Nicaraguan submission to the Fourth World Conference on Women;

(c) Support for the Nicaraguan Institute of Culture in the formulation of a national cultural plan, with the participation of several municipal cultural centres, and for the rehabilitation of the National Palace of Culture financed with equivalent funds from the Government of Japan.

20. Activities to support economic reactivation include:

(a) The rural financial services programme. Restricted access to credit for the small- and medium-scale farmers cultivating three quarters of the land in Nicaragua is a serious impediment to economic reactivation in the countryside. UNDP has worked since 1993 to overcome this situation through the design of and financial management training and provision of seed money for a network of local rural financing organizations. As a result, the programme of rural financial services for small- and medium-scale farmers, which comes under the Office of the Ministry of the Presidency, will begin functioning during the second half of 1995;

(b) Attenuation of the impact of structural adjustment on farmers and manufacturers. Since 1991 UNDP has given assistance, with US$ 32 million provided by the Government of Japan, for the import of raw materials and inputs for production, including for enterprises recently privatized for the workers. The sales, paid for in national currency and on soft terms, generate funds which are being used in cooperation projects, such as the national cultural plan and the rehabilitation of the Palace of Culture.

21. Activities to support community participation and improvement of living conditions include:

(a) Support for the formulation of social policies and community development (reactivación solidaria) in the Ministry of Social Action;

(b) Support for the formulation of a national housing programme in the Nicaraguan Housing Bank;

(c) Support for the project formulation unit of the Emergency Social Investment Fund (FISE);

(d) A project with the Ministry of Social Action and Civil Defence, to establish and put into operation a national disaster prevention and mitigation system. It will include civil society and provide for the establishment of the necessary legal basis and the drafting of a bill on the subject.

22. Activities to support sustainable development and environmental conservation include:

(a) Formulation of a national development strategy. Following an initiative of the Support Group, during 1994 support was given to the formulation of a national strategy for sustainable development using UNDP funds. Agricultural associations have been included and are discussing their proposals with the Government;

(b) The sustainable development network continues to share information and promote discussion of environmental issues at the national, regional and global level.

B. Specialized agencies and other bodies of the United Nations system: contributions in different fields

23. The paragraphs that follow provide a brief description of contributions by United Nations specialized agencies and bodies other than UNDP.

1. United Nations Children's Fund

24. Within the context of the National Reconciliation and Rehabilitation Programme, the programme of integrated basic services carried out in the former conflict areas seeks to improve living conditions, particularly those of women and children, by: strengthening community health networks, developing participation at the local level and sensitizing municipal officials to gender and empowerment issues; providing technical training for primary health workers and health education for adults/heads of household; providing for vaccination, supplies, construction of small rural aqueducts, latrines and wells; the creation of preschool centres and development of infant feeding programmes; and the promotion of children's rights.

25. The programme for children in especially difficult circumstances (Ministry of Education), which was originally geared to minors who were victims of the war, is now directed at the population as a whole and involves dissemination of information on children's rights, eradication of violence against women and the strengthening of legislation and institutions dealing with children, women and the family.

26. The water and sanitation programme, which was completed in December 1994, resulted in the building of nearly 700 water supply works and more than 8,000 latrines, and the introduction of new well-digging technology. Coordination between institutions and agencies was increased and the methodology used in rural water and sanitation projects was standardized.

2. United Nations Capital Development Fund

27. The bridge over the River Jícaro was inaugurated on 14 October 1994, opening up production possibilities within a rich agricultural region in a former zone of conflict. Execution of this project has been entrusted to local communities and authorities.

28. The project for the rehabilitation and extension of the aqueduct at Quilalí, a town in the same region which was a base for the Nicaraguan Resistance, has been approved and will start in October 1995.

29. Also in the north is the project for the construction of the mini-hydroelectric power station at Wiwilí, which will provide energy to a group of towns and will be operated jointly by the local authorities and inhabitants.

3. World Health Organization/Pan American Health Organization

30. Activities to strengthen and decentralize the Ministry of Health include: the review and reformulation of policies, strategies, plans and programmes; increased social participation at the central level (health council) and decentralization and increased participation at the local level (integrated local health-care systems - SILAIS); the development of human resources; new information flow technologies; the strengthening of technology and human resources in hospital maintenance and basic services; the strengthening of environmental management capacity in respect of health, conservation and control of water resources, occupational aspects and exposure to pesticides.

31. Specific areas of assistance include: the prevention, diagnosis, treatment, and management of AIDS; the treatment of acute respiratory infections in minors; maternity care, including training of birth attendants, support for technical health units and increased community participation; the preparation and dissemination of information on women, health and development; immunizations; rational use of essential medication; the establishment of a model mother and child care unit; the prevention of acute diarrhoeal diseases and cholera; the improvement of perinatal care; rehabilitation of the disabled; and malaria and dengue control programmes.

4. United Nations Population Fund

32. Within the areas of reproductive health and family planning activities include: the training, monitoring and supervision of auxiliary personnel and the preparation of family planning materials for dissemination; the training of medical students in family planning, sex education and social demography; reproductive health education for adolescents and care for rural adolescents; and community participation.

33. The area of population policies and education includes the formulation of a national population policy; a population and housing census (together with UNDP); education in population matters at the formal (teacher) and non-formal (household head) level; the creation of the information system on population affected by the war in Nicaragua (Organization for International Migration).

5. Food and Agriculture Organization of the United Nations

34. FAO is running a programme on the conservation and management of natural resources concentrating on reforestation with community participation in mountainous areas.

35. Other activities include the provision of: assistance to the Government in food security planning; training and technical assistance to women farmers and to small-scale farmers in the use of fertilizers and other inputs; and management training to small-scale producers and those operating private irrigation systems.

6. World Food Programme

36. Food supplements are provided to preschool children in day-care centres and to schoolchildren by means of a "nutritious biscuit". Food-for-work programmes have been introduced in agricultural activities involving the adoption of appropriate technology (see IFAD).

37. A programme for dairy development encourages small-scale dairy farmers to expand by providing them with credit, using funds derived from donations of dairy products.

7. International Atomic Energy Agency

38. The IAEA has collaborated with the Ministry of Health in the field of medicine to provide *in vitro* and *in vivo* diagnosis and, in nuclear medicine, by repairing equipment, installing services, training personnel and providing cobalt for the treatment of gynaecological problems.

8. International Fund for Agricultural Development

39. The comprehensive agricultural development project for the poorest farmers in the dry region of the north covers training, credit and sustainable agriculture/soil conservation. The World Food Programme's contribution is to provide food in exchange for participation in productive activities or training. A similar programme will begin in the agricultural area of the south towards the end of 1995.

9. United Nations International Drug Control Programme

40. UNIDCP is supporting the formulation of a national plan for drug prevention and control in Nicaragua.

10. United Nations Educational, Scientific and Cultural Organization

41. UNESCO is supporting the Ministry of Education in adapting the educational curriculum to the needs of the development process and training executive, teaching and technical personnel.

11. International Labour Organization

42. In addition to its training of labour leaders, ILO, together with the Nicaraguan Institute for Training and Technology, supports practical training directed specifically at the handicapped, women and small-scale manufacturers and craftsmen.

12. United Nations Industrial Development Organization

43. UNIDO supports the establishment and operation of micro and small-scale industries using the system of flexible specialization. It is currently providing preparatory assistance for the formulation of an integrated technical assistance programme which will encourage the transfer of technology towards priority areas in the private sector.

13. United Nations High Commissioner for Refugees

44. UNHCR documents refugees who settled in Nicaragua and the repatriation of others to their countries of origin.

Notes

1/ See Official Records of the Security Council, Fortieth Year, Supplement for April, May and June 1986, document A/40/1119-S/18106, annex.

2/ Ibid., Forty-second Year, Supplement for July, August and September 1988, document A/42/521-S/19085, annex.